

About 1% Sales Tax Withholding

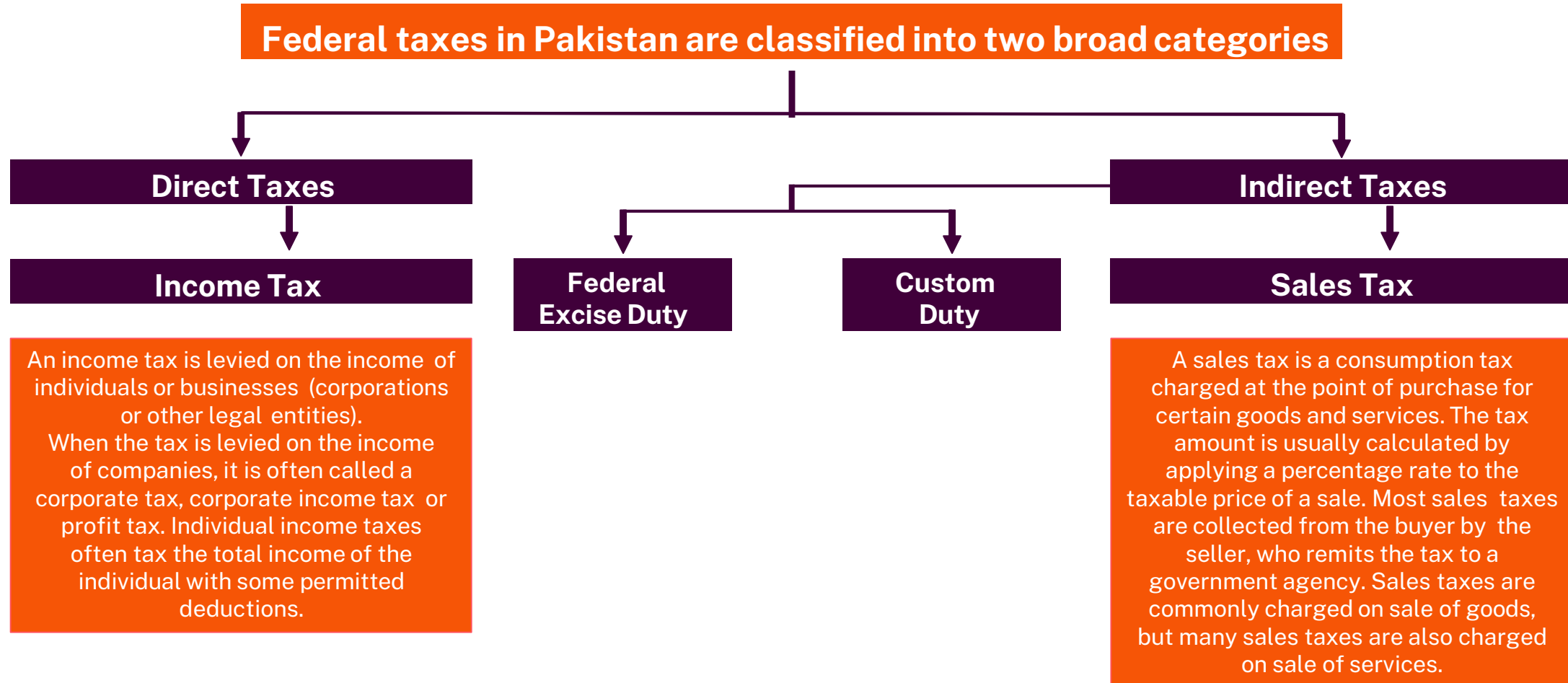
What is Taxation?



Taxation is defined in many ways such as:

1. It is a means for a government in increasing its revenue under the authority of the law, purposely used to promote **welfare** and **protection** for its citizens.
2. It is the collection of the share of individual and organizational income by a government under the authority of the law.
3. It is levied by the Government to:
 - a) For collection of revenue to run and administer the Government
 - b) To use as a tool for implementation of its policies
 - c) For fair distribution of wealth

Broad Categories of Taxes in Pakistan



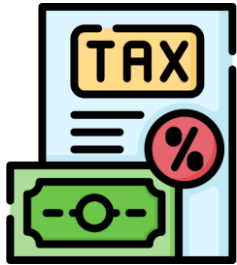
Advantages of Tax Registration

These are the benefits you get when you file your tax returns:

- Lower rates of income tax deduction at source by banks on both profits. No tax on cash withdrawals.
- Reduction on withholding tax (tax already deducted from your income and gains) when registering and transferring motor vehicles
- Lower rate of tax on buying and selling of property
- Lower withholding tax rate on capital gains on sale of securities
- Charges for tax on dividend will be lower
- Lower rate of withholding tax on prize bond winnings
- Allows you to claim back overpaid tax that has been withheld
- No sales tax withholding on sale of goods (5% in case of offline market and 2% in case of online marketplace such as Daraz) – for details see slide no. 6.
- Ease of doing business within digitalized environment
- Preference is given to the sellers who are filers, to obtain tax claims



Disadvantages of Not Registering for Tax



Higher **Tax Rates** on
business
transactions



Additional **withholding**
on the taxable supplies
(5% in offline market
and 2% in case of
online market such as
Daraz)



Difficulties **in**
doing business in
digitalized
environment



Imprisonment **for**
being non-
compliant to laws
of the Country



Penalties **for not**
following
regulations

What is 1% Sales Tax Withholding?

As per recent amendments made by FBR in Finance Act, 2021, all online marketplaces are required to deduct 1 percent tax from the payment made to sellers on account of 'TAXABLE SUPPLIES' made by him on the online platform.

The changes is made applicable to all the persons (including individuals, Association of Persons (AOPs) and Companies who are not paying sales taxes and are non filers for the purpose of Sales Tax. Therefore, all such sellers who are making taxable supplies on the Daraz Platform, who are required to obtain registration under the laws, and who are inactive as per FBR Sales Tax Active Taxpayer List will be charged 1 percent withholding.

HOW TO AVOID 1% WITHHOLDING?

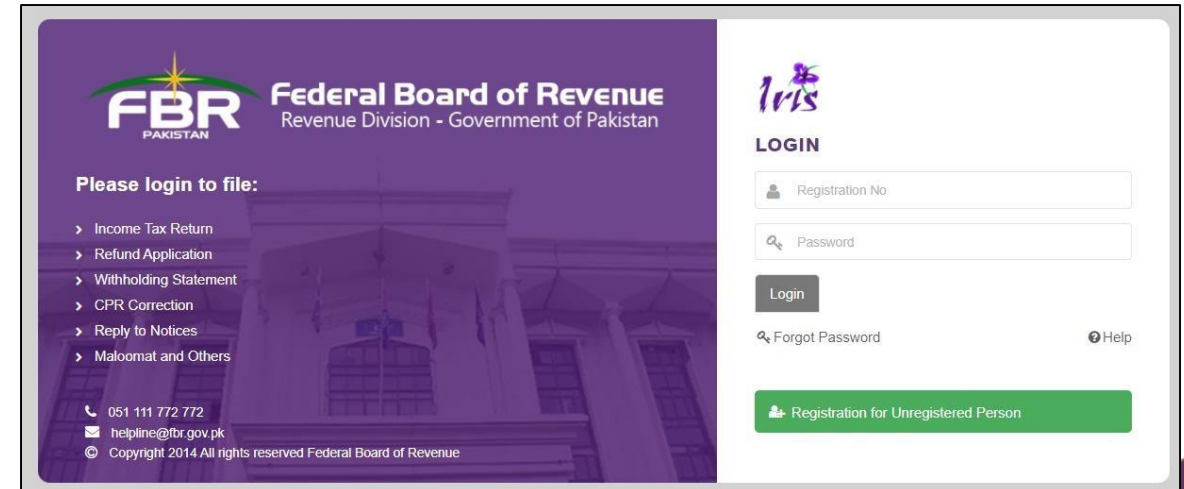
Check your status if you are required to be registered
File your taxes if you are not paying your income taxes and sales tax and become FILER. See below slides for guidance on how to become a filer.

For further details, check the last slide for FBR links.



Who Should Register for Income Tax & How?

- Under general law, every person (Individual, Association of Persons (AOPs) or Companies who are earning taxable income in Pakistan are required to get themselves registered for Income Tax.
- An individual, a company and an association of persons (AOP) or foreign national shall be treated as registered, when they are e-enrolled on the Iris portal of FBR.
- E-Enrollment with FBR provides you with a National Tax Number (NTN) or Registration Number and password.
- In case of individuals, 13 digits Computerized National Identity Card (CNIC) will be used as NTN or Registration Number.
- NTN or Registration Number for AOP and Company is the 7 digits NTN received after e-enrollment.
- These credentials allow access to FBR's Iris portal, the online Income Tax system, through which online Income Tax Return can be filed.
- For Income Tax Registration Individual can register online through Iris Portal by clicking on "Registration for Unregistered Person" button as shown on the image on the right side.
- Whereas, for AOP's and Companies, they need to visit their respective Regional Tax Office (RTO). List of RTO's can be found on FBR website.



The screenshot displays the FBR Iris portal interface. On the left, the FBR Pakistan logo is shown above a list of services: Income Tax Return, Refund Application, Withholding Statement, CPR Correction, Reply to Notices, and Maloomat and Others. Below this list are contact details: 051 111 772 772, helpline@fbr.gov.pk, and a copyright notice for 2014. The right side of the page features the 'Iris' logo and a 'LOGIN' section with input fields for 'Registration No' and 'Password', a 'Login' button, and links for 'Forgot Password' and 'Help'. At the bottom of the right section is a prominent green button labeled 'Registration for Unregistered Person'.

For further details, check the last slide for FBR links.

Who Should Register for Income Tax & How?

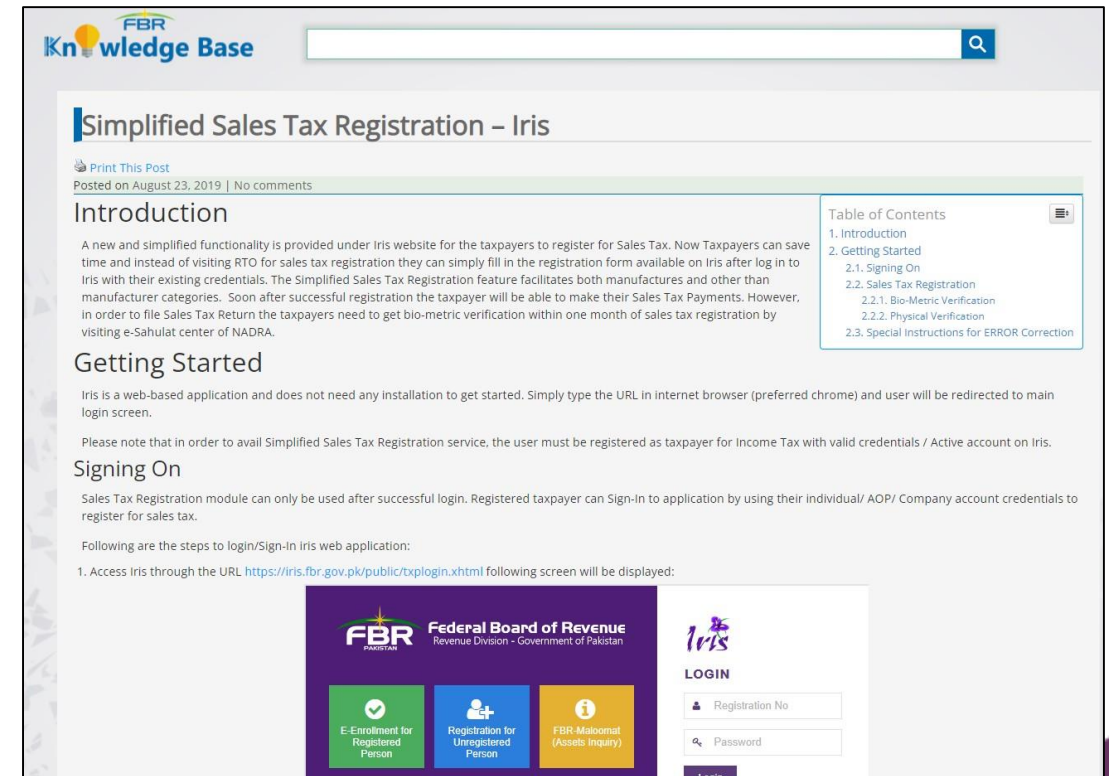
Every person making a supply of goods and services (in Islamabad Territory) is required to be registered for supply of goods and services under the Federal Sales Tax Law including:

- All importers
- All wholesalers (including dealers) and distributors
- Manufacturers not falling in cottage industry.
- Retailers [other than those paying sales tax on electricity bills under section 3(9)]
- Persons making zero-rated supplies, including commercial exporter who intends to obtain sales tax refund against his zero rated supplies

A person who is required to be registered by virtue of aforesaid criteria, but still avoids registration, can be compulsorily registered by the department, after proper enquiry.

Any person, falling under the above criteria, can register for sales tax after registering on Iris Portal by following a step-by-step guide provided by FBR.

For further details, check the last slide for FBR links.



The screenshot shows a web page from the FBR Knowledge Base. The title is 'Simplified Sales Tax Registration – Iris'. It includes a 'Table of Contents' on the right with links to Introduction, Getting Started, Signing On, and a Special Instructions for ERROR Correction. The main content area has sections for 'Introduction' and 'Getting Started'. The 'Introduction' section explains that a new simplified functionality is provided under the Iris website for taxpayers to register for Sales Tax. The 'Getting Started' section states that Iris is a web-based application and does not need any installation. Below this, there is a 'Signing On' section which explains that the Sales Tax Registration module can only be used after successful login. At the bottom of the page, there is a login form with fields for 'Registration No' and 'Password', and a 'Login' button. The FBR logo and 'Federal Board of Revenue' text are also visible.

Useful Links

Here are some links to help you out with tax registration:

Description	Reference Link(s)
Guide to registration for Income Tax	https://fbr.gov.pk/categ/register-income-tax/51147/30846/61149
FBR video tutorials for income tax registration, income tax filings	https://fbr.gov.pk/video-tutorials-income-tax-return-filing/51147/132186
File Income Tax Return	https://iris.fbr.gov.pk/public/txplogin.xhtml
Tutorials for Tax Assan Application	https://fbr.gov.pk/tax-asaan-application/51147/152393
Sales Tax Registration basics	https://fbr.gov.pk/categ/register-sales-tax/51148/50848/101156
Sales Tax Guide	https://download1.fbr.gov.pk/Docs/201012211412172902008stax.pdf
Simplified Sales Tax Registration – Iris	https://help.fbr.gov.pk/?p=5332
Persons to be registered for sales tax	https://fbr.gov.pk/categ/register-sales-tax/51148/50848/%20101156
To check Tier 1 integrated list	https://fbr.gov.pk/pos-integrated-retailers/163085/163089
To check Tier 1 non integrated list	https://fbr.gov.pk/pos-legal-provisions/163085/163086

WISHING YOU A GREAT SELLING EXPERIENCE!

For more tutorials, courses and policies,
Visit Daraz University

